



In this issue:

1. [Highlights of Federal Budget 2007](#)
2. [Corporations Act Amendments Coming in Force April 16](#)
3. [Employment Standards Code in Effect April 30](#)
4. [Duplicate Business Numbers](#)
5. [Bill C-28 Update](#)

1. Highlights of Federal Budget 2007

The federal budget for 2007 was delivered on March 19, 2007. For detailed information, visit [the website](#). Following are some highlights:

- CCA increases - A number of capital cost allowance (CCA) rates have been increased. Affected items include manufacturing and processing (M&P) machinery and equipment (applicable for assets acquired after March 19, 2007 and prior to 2009), buildings used for M&P, other non-residential buildings, and computer equipment. Eligibility for accelerated CCA has also been extended for certain assets used to produce clean energy through certain emerging technologies.
- Investment tax credit for child care spaces - A non-refundable investment tax credit has been introduced for businesses creating licensed child care spaces for children of their employees and potentially other children.
- Capital Gains Exemption - The lifetime capital gains exemption was increased for qualified small business corporations shares and qualified farming and fishing property to \$750,000 (from \$500,000), for dispositions occurring on or after March 19, 2007. As a transitional measure for 2007, capital gains exemption will be capped at \$625,000 for dispositions occurring on or after March 19, 2007 through December 31, 2007.
- Qualified Investments Expanded - Commencing on March 19, 2007, eligible investments for RRSPs and other registered plans are extended to include most investment-grade debt and securities (other than futures contracts) listed on any prescribed stock exchange.
- Age Limit for RRSPs and RPPs - Commencing March 19, 2007, the age at which individuals must convert RRSPs and RPPs increases to 71 (from 69). The Budget also proposes to amend the rules to allow an employee to receive pension benefits from a defined benefit RPP and simultaneously accrue further pension benefits, during a period of phased retirement.
- Mineral Exploration Credit - Mineral exploration tax credit for flow-through share investments, which was set to expire at the end of March 31, 2007 is extended and will be available for flow-through share agreements entered into on or before March 31, 2008.
- Donations of securities to Private Foundations - On gifts of publicly-listed securities made to private foundations on or after March 19, 2007, the capital gains tax is eliminated. A similar measure had previously eliminated capital gains tax on gifts of securities to charitable organization and public foundations.
- Withholding Tax on Interest - Changes to withholding tax on cross-border interest payments will be effective with changes to the Canada/US tax treaty. The Budget proposes that with these changes, Canadian withholding tax will be eliminated on interest paid to all arm's length non-residents, regardless of their country of residence.
- Foreign Affiliates - The Budget also proposes restrictions on interest deductibility for

foreign affiliate financing, and to narrow the current rules that deem certain passive income of a foreign affiliate to be active business income.

2. Corporations Act Amendments Coming in Force April 16

Effective April 16, 2007, certain amendments to *The Corporations Act* contained in [The Corporations Amendment Act](#), S.M. 2006, c. 10, come into force. These include:

- Facilitating participation in meetings of corporate shareholders and directors by electronic means, and setting the applicable rules. These provisions may be variously opted into, or out of, by by-law.
 - Filing of documents with The Companies Office in counterparts. Documents requiring the signature of more than one person may be signed in several documents of identical form, each of which is signed by one or more of the persons, and submitted together to The Companies Office together with a lawyer's certificate of comparison.
 - Forms and their requirements under *The Corporations Act* will no longer be prescribed by regulation, but will be set by the Director of the Companies Office. Concurrently, the Corporations Regulation is being amended to delete the forms and their requirements from the regulation. At this time, no substantive changes are being made to those forms or their requirements, and pursuant to this new power, the Director is presently setting the forms and their requirements to be exactly as they were before April 16, 2007.
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3. Employment Standards Code in Effect April 30

Don't forget to remind your business clients of the changes to the [Employment Standards Code](#) that will come into effect on April 30, 2007. And, at the same time, don't forget to take a look at the amended Act yourself, as the changes will impact law office staff too. For further information and a number of helpful summaries, check out the [Manitoba Labour website](#).

4. Duplicate Business Numbers

Manitoba Finance has issued a notice regarding the relatively recent problem of a business having duplicate Business Numbers. Read the [notice](#) here and visit the One Business One Number [website](#) for further information.

5. Bill C-28 Update

Last month, we reported that [Bill C-28](#), *Budget Implementation Act, 2006*, No. 2, had received 3rd reading on February 14, 2007 and would come into effect on receiving Royal Assent. The Act received Royal Assent on February 21, 2007 and is now in effect.

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